

## Rāpopoto - Summary

Singapore's aviation sector is seeing a strong recovery. Total passenger traffic through Changi Airport is now above 40% of pre-pandemic levels, with expectations that volumes will reach 70% of pre-pandemic levels by the end of the year (up from its initial target of 50%). Nevertheless, Singapore remains acutely conscious of medium-term risks (including the potential for loss of network connectivity, unresolved labour shortages, and slowing global economic growth) along with the need to evolve the sector to achieve greater sustainability in the face of climate change.

## Pūrongo - Report

### Aviation recovery soars...

The strong recovery of passenger traffic through Changi Airport has continued to gain momentum with the start of the summer travel period. Singapore Airlines (SIA) is currently operating at 64% of pre-pandemic capacity, and carried a total of 1.9 million passengers in June. The national carrier's passenger load factor (referring to how many of their planes' seats are filled) is now at 87.8% – the highest since the onset of the pandemic.

As of May this year, Singapore Airlines Group has begun to restore its network – now reaching 93 destinations in 36 countries and territories (up from 85 destinations previously, but still fewer than its pre-COVID network of 137 destinations). This recovery in air travel demand and SIA's networks has enabled the national carrier to double its revenue for the year (ending 31 March 2022) to S\$7.62 billion (up from S\$3.82 billion a year) and cut operating costs to S\$610 million (from S\$2.51 billion).

However, the sudden upswing in travel has amplified challenges around labour shortages (Singapore's aviation sector lost 1/3 of its 35,000 strong workforce during the pandemic) and operational systems which are no longer 'fit for purpose' after two years of inactivity. Singapore's immediate priority has been to boost the aviation workforce through a sector wide recruitment drive that set a target of hiring 6,600 employees. With the new additions, Singapore is expected to restore 85-90% of its pre-COVID-19 pandemic workforce by the end of the year.

### ...But turbulence expected ahead

In a recent conversation with Post, officials flagged that the Government is concerned that aviation's bounce back may soften. In part this may occur if pent-up demand runs out of steam, and/or if the potential for a global recession during 2023 is realised. They have also confirmed that the uptick the national carrier is currently seeing (in both corporate and personal travel) is indicative of pent-up demand rather than representing steady-state demand. Overall the government expects that macro-economic trends (e.g. inflation/rising fuel prices) will lead to a tapering of travel demand (and trade more generally), by the second quarter of 2023.

Even so, officials noted that during recessions, most air carriers only see a drop of between 5 and 10% in demand, indicating that – on balance – the general trend of rising travel demand may moderate, but will not disappear entirely. While Singapore based aviation analysts do not expect the Chinese market to fully come online until early 2023, they are more bullish on demand for other major markets such as Japan (with SIA having recently increased

flights to Japan).

Post's conversation with aviation stakeholder indicates real risks to the aviation sector's recovery are supply side factors rather than demand. In addition to a shortage of labour, they have indicated that supply chain issues are holding up the delivery of new aircraft and engines. These issues will then put constraints around air travel and cargo capacity over the next 18-24 months.

### **No turning back on sustainability**

Officials have however noted that current aviation sector volatility cannot be used as a reason to defer action on sustainability – 'there is just no going back'. They reiterated that Singapore's aviation sector has made decarbonisation a priority, with a dedicated sustainability unit set up in both the CAAS and the Ministry of Transport to guide the sector as it transitions to net zero carbon emissions by 2050.

Singapore has made progress on its sustainable aviation fuel (SAF) pilot, with the first batch of blended SAF (to be used on all Singapore Airlines (SIA) and Scoot flights) being loaded into the airport's fuel system on 7 July. This is part of a 1 year pilot announced by CAAS, SIA and GenZero (a Temasek-owned investment platform). In addition to the blending, certification and delivery of SAF to Changi Airport, the trial will also provide insights into the end-to-end cost components, potential pricing structures to recover cost, as well as supporting future policy consideration for the deployment of such fuels.

Long-term investments in assets and operating infrastructure are also seen as key to supporting broader trends towards decarbonisation and digitalisation. In early 2022 Singapore Airlines (SIA) replaced its existing Boeing freighters with Airbus A350 freight planes, which burn up to 40% less fuel on similar missions compared with Boeing's 747-400F. This makes SIA the first carrier to operate this new generation wide-body freight plane, reducing the national carrier's carbon emissions by around 400,000 tonnes annually, while maintaining a similar cargo capacity. In addition to being more fuel-efficient, the new Airbus is more easily deployed onto alternative routes given its longer range.

Finally, capacity building, particularly developing new skillsets around sustainability and digitalisation, is seen as vital as the global aviation sector begins to reorient itself to capture new growth areas. One example of Singapore's work in this area is the country's recent partnership with ICAO on the Programme on Aviation Resilience, which aims to equip civil aviation leaders with competencies to capture new opportunities across the sector.

### **The opportunity for New Zealand**

The Singapore – New Zealand Sustainable Aviation Arrangement (signed in April this year) is the primary focus of our collaborative work in this area. The first policy discussion under this Arrangement is expected to focus on each countries sustainable aviation blueprints.

Decarbonisation of the aviation sector can also be boosted through the optimisation of air traffic routes. Singapore has already begun developing its next generation Air Navigation Services systems, which are expected to be operational around the end of this decade. The systems will enable the implementation of new and cutting-edge concepts, such as Trajectory-Based Operations, and advanced Air Traffic Flow Management techniques to improve flight predictability and efficiency whilst reducing congestion. To complement these efforts, Singapore is looking to improve coordination and operational interoperability among partners such as New Zealand.

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